Funding the Future

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The FT has reported this morning that:

*Big accounting firms have asked the UK industry regulator to pause quality inspections of their work for a year if they agree to audit high-risk companies listed on the London Stock Exchange.*

The argument is, apparently, that auditors cannot be expected to get audits right in their first year of appointment. And, apparently, there are high risk companies where this is especially likely to be true. So they should be exempted from quality assurance standards in these cases.

The argument is bizarre for four reasons.

The first is that each audit is intended to be a report in isolation. An audit report is not issued as one of a series. It is issued on a particular set of accounts.

Second, if auditors cannot get the job right in the first year then they should not take the job. That is what professional ethics requires that they decide.

Third, this appeal suggest that the auditors in question are unaware of the option available to them of qualifying their opinion on companies presenting this type of risk. If that risk is real it should be reported, and nor be whitewashed by relaxing audit standards.

Finally, if these companies could not get auditors they would gave to either cease to trade or change their behaviour. Wouldn't that be advantageous?

Can't these auditors see that changed behaviour is what they are meant to deliver? Apparently not. And that is what is wrong with the profession.